

April 12, 2006

Filed via E-mail

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Comments@FDIC.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW,
Washington, DC 20552
Attention: No. 2005-56
regs.comments@ots.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551
reg.comments@federalreserve.gov

Office of the Comptroller of the
Currency
250 E Street, SW., Mail Stop 1-5
Washington, DC 20219
regs.comments@occ.treas.gov

Re: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05-21; **OTS**
Docket No. 2006-01; **Proposed Interagency Guidance on Concentrations in**
Commercial Real Estate; 71 Federal Register 2302;
January 13, 2006.

Ladies and Gentlemen:

I would like to share my concerns regarding the above referenced proposal, the Interagency Guidance on Concentrations in Commercial Real Estate ("Guidance") that raises the requirements for risk management by banks that are deemed to have a concentration in commercial real estate ("CRE").

My primary concern is that the proposed definition of a concentration in CRE appears to combine several different transaction types of CRE lending and establishes required action plans without attempting to distinguish between the levels of risk posed by each transaction. Also, the determination of the concentration thresholds established in relation to capital appears arbitrary. This may result in many banks erroneously being deemed to have a high risk concentration in CRE.

If banks are identified as having a concentration in CRE, the Guidance appears to require those banks to maintain significantly higher levels of capital and significantly higher reserves for loan losses than other banks. This could be caused by a potentially erroneous conclusion that a large portfolio of CRE (per the proposed definition) is inherently riskier. In my opinion, such increased capital and reserve requirements should be mandated only if upon inspection, the loan portfolio actually does present a higher level of risk.

As a community banker, I am extremely concerned that the Guidance will negatively impact our ability to fund CRE transactions in the communities we serve. It is already

extremely difficult for us to compete in various consumer lending areas due to lack of scale and it takes time to obtain commercial customers for their working capital and equipment needs if they already have established relationships with other banks. Also, as a relatively new bank, the quality and soundness offered by the CRE transactions that we have completed are an attractive manner to build earning assets. Due to our relatively small size, we may be required to hold higher capital levels and reserves for loan losses than our larger competitors which would diminish our ability to remain competitive in pricing.

I fully support safety and soundness in the banking industry. The existing real estate lending standards, regulations and guidelines appear adequate. The proposed guidance would only add another layer of regulation to be interpreted and doesn't seem necessary.

I highly recommend that the Agencies not issue this Guidance. Rather, I respectfully suggest that instead of imposing these new regulations on the industry in general, the Agencies apply existing regulations to address problems in banks that do not engage in responsible CRE lending.

Sincerely,

Kenneth L. Dobbins, Jr.
President and Chief Operating Officer
BankEast
607 Market Street
Knoxville, Tennessee 37901